

**WEST MICHIGAN ACADEMY OF
ENVIRONMENTAL SCIENCE**

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)

YEAR ENDED JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
West Michigan Academy of Environmental Science

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Michigan Academy of Environmental Science (the Academy), as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of West Michigan Academy of Environmental Science's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of West Michigan Academy of Environmental Science as of June 30, 2008 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2008, on our consideration of West Michigan Academy of Environmental Science's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages v through x and 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Michigan Academy of Environmental Science's basic financial statements. The additional information on pages 25 and 26 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maner, Costerisan + Ellis, P.C.

September 29, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of West Michigan Academy of Environmental Science's annual financial report presents our discussion and analysis of the public school Academy's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Financial Highlights

- The Academy had an increase in the fund balance for the general fund of \$47,336. This gives the Academy a fund balance in the general fund of \$660,360.
- The Academy retired \$189,948 in long-term debt during the year.
- The Academy invested \$16,937 in capital assets during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

- The first two statements are academy-wide *financial statements* that provide both short-term and long-term information about the Academy's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Academy, reporting the Academy's operations in more detail than the academy-wide statements.
- The *governmental funds* statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy's budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

Figure A-1
Organization of West Michigan
Academy of Environmental
Science's Financial Report

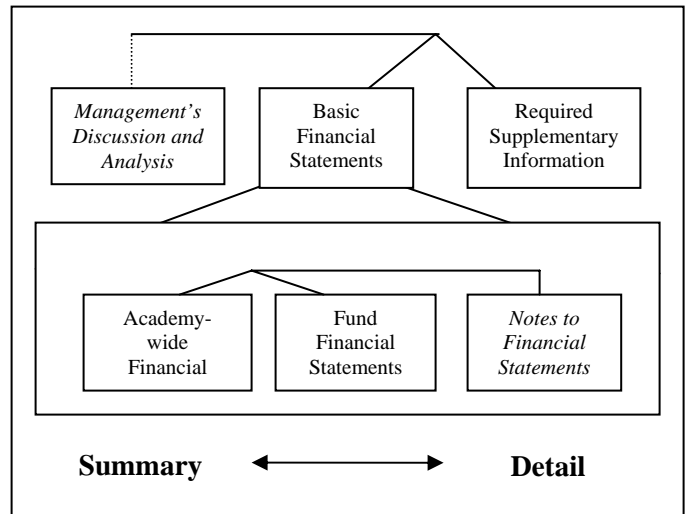


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Academy-wide and Fund Financial Statements

	Academy-wide statements	Governmental funds
Scope	Entire academy (except fiduciary funds)	All activities of the academy that are not fiduciary
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Academy-wide statements

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Academy’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Academy-wide statements report the Academy's net assets and how they have changed. Net assets - the difference between the Academy's assets and liabilities, are one way to measure the Academy's financial health or position.

- Over time, increases or decreases in the Academy's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy's enrollment, the condition of school buildings and other facilities, and the Academy's ability to be competitive with other public school academies and area school districts.

Governmental activities - The Academy's basic services are included here, such as regular and special education and administration. State foundation aid finances most of these activities.

Fund financial statements

The fund financial statements provide more detailed information about the Academy's funds, focusing on its more significant or "major" funds - not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.
- The Academy establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or show that it is properly using certain revenues (like food service).

All of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

Financial analysis of the Academy as a whole

Net assets - the Academy's combined net assets of \$2,634,708 improved by \$180,928 during the year. See Figures A-3 and A-4.

The total revenues increased by 1% to \$3,653,838. State aid foundation allowance included in revenue from state sources accounts for 74% of the Academy's revenue. The blended enrollment decreased 14 students in 2008 to 366 students. The primary increase in revenues was due to additional funds from federal sources and from the intermediate school district.

The total cost of instruction increased by 8% to \$1,668,324. Total support services increased by 7% to \$1,404,073. Both were due to natural cost increases.

Academy governmental activities

Figure A-3		
West Michigan Academy of Environmental Science's Net Assets		
	2008	2007
Current assets	\$ 1,583,789	\$ 1,024,122
Restricted cash and investments	183,522	169,181
Capital assets, net	3,656,453	3,721,465
Total assets	5,423,764	4,914,768
Current liabilities	1,112,013	594,007
Long-term liabilities	1,677,043	1,866,981
Total liabilities	2,789,056	2,460,988
Net assets:		
Invested in capital assets, net of related debt	1,790,826	1,665,890
Restricted for debt service	238,022	223,681
Unrestricted	605,860	564,209
Total net assets	\$ 2,634,708	\$ 2,453,780

Figure A-4		
Changes in West Michigan Academy of Environmental Science's Net Assets		
	2008	2007
Revenues:		
Program revenues:		
Federal and state categorical grants	\$ 656,642	\$ 604,923
Charges for services	19,910	28,702
General revenues:		
State aid - unrestricted	2,694,887	2,766,206
Investment earnings	23,871	20,091
Incoming transfers and other	258,528	179,205
Total general revenues	2,977,286	2,965,502
Total revenues	3,653,838	3,599,127
Expenses:		
Instruction	1,668,324	1,539,617
Support services	1,404,073	1,316,754
Food services	197,573	146,698
Athletics	8,980	15,773
Interest and fees on long-term debt	112,011	122,872
Unallocated depreciation	81,949	87,330
Total expenses	3,472,910	3,229,044
Change in net assets	\$ 180,928	\$ 370,083

Financial analysis of the Academy's funds

The financial operation of the Academy is considered stable. The fund balance of the general fund at June 30, 2008 is \$660,360. There was a 1% increase in general fund revenue and a 7% increase in expenditures for instructional programs and a increase of 8% in expenditures for support services. Expenditure increases in both instructional programs and support services were the result of natural cost increases.

The general fund transferred \$98,294 and \$6,652 to the food service fund and athletics fund, respectively, to cover operational short falls.

General fund budgetary highlights

Over the course of the year, the Academy revised the general fund annual operating budget to stay within its budgetary plan.

While the Academy's final budget for the general fund anticipated expenditures would exceed revenues and other financing sources or uses by \$110,699, the actual results for the year showed an increase in fund balance of \$47,336.

Actual revenues were \$23,242 less than budgeted primarily due to unspent state and federal grants at year end.

Actual expenditures were \$180,270 under budget primarily due to successful budget monitoring particularly in the area of support services.

Capital asset and debt administration

Capital assets

As of June 30, 2008, the Academy had invested \$3,656,453 in capital assets net of accumulated depreciation as summarized in Figure A-5. This amount represents a net decrease of \$65,012 from the beginning of the year. Total depreciation expense for the year was \$81,949. More detailed information about capital assets can be found in Note 4 to the financial statements.

The Academy's capital assets are as follows:

Figure A-5				
West Michigan Academy of Environmental Science's Capital Assets				
	2008			2007
	Cost	Accumulated depreciation	Net book value	Net book value
Buildings	\$ 2,565,087	\$ 252,234	\$ 2,312,853	\$ 2,364,155
Furniture and equipment	195,119	79,660	115,459	130,464
Technology	79,366	57,631	21,735	18,565
Vehicles	15,000	8,594	6,406	8,281
Land	1,200,000	-	1,200,000	1,200,000
Total	<u>\$ 4,054,572</u>	<u>\$ 398,119</u>	<u>\$ 3,656,453</u>	<u>\$ 3,721,465</u>

Long-term debt

The Academy repaid principal on long-term debt of \$189,948 during 2008. See Note 6 for more information.

Factors bearing on the Academy's future

At the time these financial statements were prepared and audited, the Academy was aware of existing circumstances that could significantly affect its financial health in the future.

- The Academy has budgeted an increase in foundation allowance of \$90 per pupil. The State of Michigan has approved an increase to foundation allowance up to \$112 per pupil.
- The Academy has adopted a balanced budget for 2009.

Contacting the Academy's financial management

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's management company, Choice Schools Associates, at P.O. Box 141493, Grand Rapids, Michigan, 49514. Phone (616) 785-8440.

BASIC FINANCIAL STATEMENTS

WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS	Governmental activities
CURRENT ASSETS:	
Cash and cash equivalents	\$ 318,970
Cash deposits - restricted for debt payments	465,438
Receivables:	
Accrued interest receivable	11,735
Due from other governmental units	637,165
Prepaid expenses	150,481
TOTAL CURRENT ASSETS	1,583,789
NONCURRENT ASSETS:	
Restricted cash	44,525
Restricted investments	138,997
Capital assets	4,054,572
Less accumulated depreciation	(398,119)
Net capital assets	3,656,453
TOTAL NONCURRENT ASSETS	3,839,975
TOTAL ASSETS	\$ 5,423,764
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 101,057
Accrued salaries and related items	262,845
Accrued interest payable	20,838
Other accrued expenses	14,706
Deferred revenue	29,983
State aid anticipation note	494,000
Current portion of long-term obligations	188,584
TOTAL CURRENT LIABILITIES	1,112,013
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	1,677,043
TOTAL LIABILITIES	2,789,056
NET ASSETS:	
Invested in capital assets, net of related debt	1,790,826
Restricted for debt service	238,022
Unrestricted	605,860
TOTAL NET ASSETS	2,634,708
TOTAL LIABILITIES AND NET ASSETS	\$ 5,423,764

See notes to financial statements.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 1,668,324	\$ -	\$ 527,321	\$ (1,141,003)
Support services	1,404,073	9,489	40,005	(1,354,579)
Food services	197,573	9,783	89,316	(98,474)
Athletic services	8,980	638	-	(8,342)
Interest and fees	112,011	-	-	(112,011)
Unallocated depreciation	81,949	-	-	(81,949)
Total governmental activities	<u>\$ 3,472,910</u>	<u>\$ 19,910</u>	<u>\$ 656,642</u>	<u>(2,796,358)</u>
General revenues:				
Investment earnings				23,871
State sources				2,694,887
Other				34,405
Incoming transfers from Kent ISD				<u>224,123</u>
Total general revenues				<u>2,977,286</u>
CHANGE IN NET ASSETS				180,928
NET ASSETS , beginning of year				<u>2,453,780</u>
NET ASSETS , end of year				<u>\$ 2,634,708</u>

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General fund</u>	<u>Debt service fund</u>	<u>Nonmajor governmental (special revenue) funds</u>	<u>Total governmental funds</u>
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 318,970	\$ 44,525	\$ -	\$ 363,495
Cash deposits - restricted for debt payments	465,438	-	-	465,438
Investments	-	138,997	-	138,997
Receivables:				
Accrued interest receivable	11,735	-	-	11,735
Due from other governmental units	637,165	-	-	637,165
Prepaid expenditures	150,481	-	-	150,481
Due from other funds	-	-	15,412	15,412
TOTAL ASSETS	<u><u>\$ 1,583,789</u></u>	<u><u>\$ 183,522</u></u>	<u><u>\$ 15,412</u></u>	<u><u>\$ 1,782,723</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 101,057	\$ -	\$ -	\$ 101,057
Accrued salaries and related items	262,845	-	-	262,845
Accrued interest payable	20,838	-	-	20,838
Other accrued expenses	14,706	-	-	14,706
Deferred revenue	14,571	-	15,412	29,983
Due to other funds	15,412	-	-	15,412
State aid anticipation note	494,000	-	-	494,000
TOTAL LIABILITIES	<u><u>923,429</u></u>	<u><u>-</u></u>	<u><u>15,412</u></u>	<u><u>938,841</u></u>

	General fund	Debt service fund	Nonmajor governmental (special revenue) funds	Total governmental funds
FUND BALANCES:				
Reserved for debt service	\$ 54,500	\$ 183,522	\$ -	\$ 238,022
Reserved for prepaid expenses	150,481	-	-	150,481
Unreserved, undesignated	455,379	-	-	455,379
TOTAL FUND BALANCES	660,360	183,522	-	843,882
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,583,789	\$ 183,522	\$ 15,412	\$ 1,782,723
Total governmental fund balances				\$ 843,882
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and are not reported in the funds:				
The cost of the capital assets is			\$ 4,054,572	
Accumulated depreciation is			<u>(398,119)</u>	
				3,656,453
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Revenue bonds payable				(1,855,000)
Note payable				<u>(10,627)</u>
Net assets of governmental activities				\$ 2,634,708

See notes to financial statements.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008**

	General fund	Debt service fund	Nonmajor governmental (special revenue) funds	Total governmental funds
REVENUES:				
Local sources:				
Food service	\$ -	\$ -	\$ 9,783	\$ 9,783
Athletic events	-	-	638	638
Investment income	19,045	4,780	46	23,871
Other	42,070	-	1,824	43,894
Total local sources	61,115	4,780	12,291	78,186
State sources	3,005,608	-	8,225	3,013,833
Federal sources	256,605	-	81,091	337,696
Incoming transfers	229,808	-	-	229,808
Total revenues	3,553,136	4,780	101,607	3,659,523
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	1,192,191	-	-	1,192,191
Added needs	481,358	-	-	481,358
Total instruction	1,673,549	-	-	1,673,549
Support services:				
Pupil	130,357	-	-	130,357
Instructional staff	121,083	-	-	121,083
General administration	434,306	-	-	434,306
School administration	277,870	-	-	277,870
Business services	24,289	-	-	24,289
Operation and maintenance	294,089	-	-	294,089
Pupil transportation services	298	-	-	298
Central support services	133,493	-	-	133,493
Total support services	1,415,785	-	-	1,415,785

	General fund	Debt service fund	Nonmajor governmental (special revenue) funds	Total governmental funds
EXPENDITURES (Concluded):				
Current (Concluded):				
Food service	\$ -	\$ -	\$ 197,573	\$ 197,573
Athletics	-	-	8,980	8,980
Debt service:				
Principal retirement	9,948	180,000	-	189,948
Interest and fiscal charges	1,822	110,189	-	112,011
Total expenditures	<u>3,101,104</u>	<u>290,189</u>	<u>206,553</u>	<u>3,597,846</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>452,032</u>	<u>(285,409)</u>	<u>(104,946)</u>	<u>61,677</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	299,750	104,946	404,696
Operating transfers out	<u>(404,696)</u>	<u>-</u>	<u>-</u>	<u>(404,696)</u>
Total other financing sources (uses)	<u>(404,696)</u>	<u>299,750</u>	<u>104,946</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	47,336	14,341	-	61,677
FUND BALANCES:				
Beginning of year	<u>613,024</u>	<u>169,181</u>	<u>-</u>	<u>782,205</u>
End of year	<u>\$ 660,360</u>	<u>\$ 183,522</u>	<u>\$ -</u>	<u>\$ 843,882</u>

See notes to financial statements.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Net change in fund balances total governmental funds	\$ 61,677
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(81,949)
Capital outlay	16,937
Repayments of principal on long-term debts are expenditures in the governmental funds, but not in the statement of activities (where they are reductions of liabilities).	
Principal repayment - revenue bonds	180,000
Principal repayment - note payable	9,948
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Deferred revenue beginning of the year	<u>(5,685)</u>
Change in net assets of governmental activities	<u><u>\$ 180,928</u></u>

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the West Michigan Academy of Environmental Science have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy's accounting policies are described below.

A. Reporting entity

The West Michigan Academy of Environmental Science (the "Academy") is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Central Michigan University is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June 2009. The Academy's Board of Directors is approved by the authorizing body and is authorized to manage the Academy and the property and affairs of the Academy. The Academy receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the Academy is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America. The Academy's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and 39.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Academy. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the Academy's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Concluded)

The Academy first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the Academy's functions. The functions are also supported by general government revenues (State Foundation Aid, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (State Foundation Aid, intermediate district sources, interest income and other revenues.)

The Academy does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Academy as an entity and the change in the Academy's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental funds - Governmental funds are those funds through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The Academy reports the following major governmental funds:

The *general fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on variable rate demand revenue bonds.

Other nonmajor funds

The *special revenue funds* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The Academy accounts for its food service and athletic activities in the special revenue funds.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Modified accrual method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

State revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to the Academy based on information supplied by the Academy. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting and basis of presentation (Concluded)

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The State revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The Academy also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

D. Other accounting policies

1. Cash and equivalents include amounts in demand deposits accounts.

The Academy reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intend to hold the investment until maturity.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other accounting policies (Continued)

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, are shown net of an allowance for uncollectibles.

3. Prepaid expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Capital assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

The Academy's capitalization policy is to capitalize individual amounts exceeding \$5,000.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Building	50 years
Furniture and equipment	10-15 years
Technology	3 years
Vehicles	8 years

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other accounting policies (Concluded)

5. Long-term obligation

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as debt issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

7. Fund balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Amounts reserved for debt service in the general fund, represent the portion of the July and August 2008 state aid payments restricted for debt service.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Chief Administrative Officer submits to the Board of Directors a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Prior to July 1, the budget is legally adopted by Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
3. The Chief Administrative Officer is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board.
4. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2008. The Academy does not consider these amendments to be significant.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2008, the Academy had the following investments:

Investment Type	Fair value	Weighted average maturity (years)	Standard & Poor's Rating	%
AIM STIT Govt & Agency/Private - Money Market	<u>\$ 138,997</u>	0.0027	AAAm	<u>100.00%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

One day maturity equals 0.0027, one year equals 1.00

Interest rate risk. In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market values of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the Academy did not have investments in commercial paper and corporate bonds.

Concentration of credit risk. The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2008, \$416,051 of the Academy's bank balance of \$516,051 was exposed to custodial credit risk because it was uninsured and uncollateralized.

WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

The net proceeds from the sale of the Series 2007B Notes (see note 5) were loaned by the Michigan Public Educational Facilities Authority (Authority) to various Michigan Public School Academies. Such loans are to be repaid with monthly set-a-side installments deposited with the Trustee for investment under the Investment Agreement dated August 23, 2007 between Charter One Bank, various Michigan Public School Academies, the Authority, and Fifth Third Bank, as Provider. Set-a-side installments are invested monthly in a series of certificates of deposits (bearing interest at 5.12%) held by Bank of New York Mellon, Trustee, in a fiduciary capacity. The Academy has a proportional interest in the certificates of deposits and accrued interest income earned through maturity on August 22, 2008. As of June 30, 2008, the Academy has \$465,438 of cash deposits restricted for debt payments. These deposits are uninsured and uncollateralized.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to failure of the security issuer or backer, by: limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

Foreign currency risk. The Academy is not authorized to invest in investments which have this type of risk.

WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

A summary of changes in the Academy's capital assets follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,200,000	\$ -	\$ -	\$ 1,200,000
Capital assets, being depreciated:				
Buildings	2,565,087	-	-	2,565,087
Furniture and equipment	195,119	-	-	195,119
Technology	62,429	16,937	-	79,366
Vehicles	15,000	-	-	15,000
Total capital assets, being depreciated	2,837,635	16,937	-	2,854,572
Accumulated depreciation:				
Buildings	200,932	51,302	-	252,234
Furniture and equipment	64,655	15,005	-	79,660
Technology	43,864	13,767	-	57,631
Vehicles	6,719	1,875	-	8,594
Total accumulated depreciation	316,170	81,949	-	398,119
Net capital assets being depreciated	2,521,465	(65,012)	-	2,456,453
Net governmental capital assets	\$ 3,721,465	\$ (65,012)	\$ -	\$ 3,656,453

Depreciation for the fiscal year ended June 30, 2008 amounted to \$81,949. The Academy determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - NOTE PAYABLE

At June 30, 2008, the Academy has \$494,000 outstanding from a state aid anticipation note dated August 23, 2007. The note, which has an interest rate of 4.7%, matures August 22, 2008. The note is secured by future state school aid payments. The Academy has \$465,438 of cash deposits restricted for debt payments with a financial institution (see note 3), to be applied against the note payable at maturity.

Balance June 30, 2007	Additions	Payments	Balance June 30, 2008
\$ 63,967	\$ 494,000	\$ 63,967	\$ 494,000

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT

The following is a summary of long-term obligation transactions of the Academy for the year ended June 30, 2008:

	Variable rate demand revenue bonds	Note payable	Total
Long-term debt, July 1, 2007	\$ 2,035,000	\$ 20,575	\$ 2,055,575
Deductions:			
Principal payments	<u>(180,000)</u>	<u>(9,948)</u>	<u>(189,948)</u>
Balance, June 30, 2008	1,855,000	10,627	1,865,627
Less current portion	<u>(180,000)</u>	<u>(8,584)</u>	<u>(188,584)</u>
Total due after one year	<u><u>\$ 1,675,000</u></u>	<u><u>\$ 2,043</u></u>	<u><u>\$ 1,677,043</u></u>

Long-term debt currently outstanding is as follows:

Installment purchase agreement related to the Michigan Public Education Facilities Authority Limited Obligation Variable rate demand revenue bond series 2003. Principal is due in annual installments of \$180,000 through December 2017 and \$55,000 in December 2018 with variable interest (1.61% at June 30, 2008, see Note 7 for interest rate swap). The installment purchase agreement is secured by up to 20% of future state aid payments.	\$ 1,855,000
Note payable with monthly installments of \$841 through October 2009, with an interest rate of 9%. The loan is secured by the related equipment.	<u>10,627</u>
	<u><u>\$ 1,865,627</u></u>

WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM DEBT (Continued)

The annual requirements to amortize long-term debts outstanding, including estimated interest of \$350,650 (using rates and the swap in effect as of June 30, 2008) are as follows:

Year ending June 30,	Principal	Interest	Total
2009	\$ 188,584	\$ 65,735	\$ 254,319
2010	182,043	58,068	240,111
2011	180,000	50,711	230,711
2012	180,000	43,161	223,161
2013	180,000	38,110	218,110
2014 - 2018	900,000	90,650	990,650
2019	55,000	2,035	57,035
	<u>\$ 1,865,627</u>	<u>\$ 348,470</u>	<u>\$ 2,214,097</u>

An amount of \$183,522 is available in the debt service funds to service the bonds. The bonds may be paid off early at the discretion of the Academy at stated amounts based on the terms of the agreement.

The variable rate demand bonds carry interest at a synthetic rate of 3.7% (see Note 7). The demand bondholders have the right to receive all outstanding principal and accrued interest on the bond upon demand prior to the maturity of the bonds. The Academy has entered into a remarketing agreement with Fifth Third Bank to resell bonds in the event that a demand for payment is made. In addition, the Academy has a letter of credit agreement in the same amount as the outstanding bonds, to ensure that funds will be available to purchase bonds for which payment is demanded. The annual fee per the letter of credit is approximately 1.5% of the outstanding bond principal. This was approximately \$27,000 for 2008. There were no amounts outstanding on the letter of credit at June 30, 2008. The building and other property purchased with the bond proceeds are pledged as collateral for the repurchase agreement with the bank.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT (Concluded)

As explained in Note 7, the Academy has entered into an interest rate swap agreement. Using the rates as of June 30, 2008, the debt service requirements of the variable rate bonds and net swap payments, assuming current interest rates remain the same for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal year ending June 30,	Principal	Interest	Interest rate swaps, net	Total principal and interest
2009	\$ 180,000	\$ 28,175	\$ 36,897	\$ 245,072
2010	180,000	25,277	32,729	238,006
2011	180,000	22,379	28,332	230,711
2012	180,000	19,481	23,680	223,161
2013	180,000	16,583	18,756	215,339
2014 - 2018	900,000	39,445	18,268	957,713
2019	55,000	369	-	55,369
	<u>\$ 1,855,000</u>	<u>\$ 151,709</u>	<u>\$ 158,662</u>	<u>\$ 2,165,371</u>

NOTE 7 - INTEREST RATE SWAP AGREEMENT

Objective - As a means to protect itself against rising interest rates related to its variable rate demand bonds issued in December 2003, the Academy has entered into an interest rate swap agreement (swap). The intention of the swap is effectively to change the Academy's variable rate of the bonds to a synthetic rate of 3.7%.

Terms - The swap was entered into in December 2004. The notional value of the swap and the principal amount of the bonds decline at a similar but not exact amount each year through the maturity of the swap in December 2014. Under the swap, the Academy pays the counterparty a fixed payment of 3.7% and receives a variable-rate payment computed base on the USD-BMA Municipal Swap Index. Conversely, the bond's variable-rate coupons adjust on a weekly basis.

Fair value - As of June 30, 2008, the swap has a fair value of approximately negative \$46,000. The fair value is based on a replacement trade that would match the maturities and notional amounts of the existing swap.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - INTEREST RATE SWAP AGREEMENT (Concluded)

Credit risk - As of June 30, 2008, the Academy is not exposed to credit risk because the swap had a negative fair value. The counterparty is rated AA- as of the date of the financial statements. There is no collateralization of the swap from the counterparty to mitigate the credit risk of the Academy.

Termination risk - The Academy may terminate the swap under provisions of the swap agreement. If the swap is terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of the termination the swap has a negative fair value, the Academy would be liable to the counterparty for a payment equal to the swap's fair value.

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2008 are as follows:

<u>Receivable fund</u>		<u>Payable fund</u>	
Food service	<u>\$ 15,412</u>	General fund	<u>\$ 15,412</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

The food service fund has recorded an interfund receivable from the general fund for food service amounts received by the general fund and not expended for food service purposes by the end of the fiscal year.

NOTE 9 - TRANSFERS

Operating transfers between the governmental funds were as follows:

<u>Operating transfers out</u>		<u>Operating transfers in</u>	
General fund	<u>\$ 404,696</u>	Debt service fund	\$ 299,750
		Food service fund	98,294
		Athletics fund	<u>6,652</u>
			<u>\$ 404,696</u>

Operating transfers were made to the debt service fund to pay bond principal and interest and to the food service and athletics fund to cover operating expenditures.

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - OVERSIGHT FEES

The Academy pays an administrative oversight fee of 3% of its state school aid discretionary and Proposal A obligation payments to the Central Michigan University Board of Trustees, as set forth by contract, to reimburse the University Board for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2008, the Academy incurred expense of approximately \$81,000 for oversight fees.

NOTE 11 - MANAGEMENT AGREEMENT

The Academy currently has a two year (through June 2009) management agreement with Choice Schools Associates, LLC (Choice Schools) for operations of the Academy. Under the terms of the management agreement, Choice Schools' compensation for operating the Academy was approximately \$341,000 for the fiscal year 2008.

NOTE 12 - PURCHASED SERVICES

The Academy leases all employee services from Choice Schools. Salaries, retirement, social security, health insurance, and unemployment taxes are the responsibility of Choice Schools.

NOTE 13 - RISK MANAGEMENT

The Academy is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. To minimize the risk, the Academy carries commercial insurance.

NOTE 14 - SUBSEQUENT EVENT

The Academy has borrowed \$405,000 in September 2008 at approximately 5.75% to be repaid monthly from October 2008 through August of 2009.

REQUIRED SUPPLEMENTARY INFORMATION

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2008**

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
REVENUES:				
Local	\$ 39,000	\$ 38,084	\$ 61,115	\$ 23,031
State sources	2,846,158	3,013,558	3,005,608	(7,950)
Federal sources	265,663	294,928	256,605	(38,323)
Incoming transfers	199,616	229,808	229,808	-
Total revenues	<u>3,350,437</u>	<u>3,576,378</u>	<u>3,553,136</u>	<u>(23,242)</u>
EXPENDITURES:				
Instruction:				
Basic programs	1,172,669	1,222,897	1,192,191	30,706
Added needs	545,498	511,722	481,358	30,364
Total instruction	<u>1,718,167</u>	<u>1,734,619</u>	<u>1,673,549</u>	<u>61,070</u>
Support services:				
Pupil	151,110	151,694	130,357	21,337
Instructional staff	163,119	155,209	121,083	34,126
General administration	418,241	448,592	434,306	14,286
School administration	275,314	299,314	277,870	21,444
Business services	29,500	28,000	24,289	3,711
Operation and maintenance	289,926	316,300	294,089	22,211
Pupil transportation services	3,500	3,500	298	3,202
Central support services	89,500	132,000	133,493	(1,493)
Total support services	<u>1,420,210</u>	<u>1,534,609</u>	<u>1,415,785</u>	<u>118,824</u>

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
EXPENDITURES (Concluded):				
Community services:				
Custody and care of children	\$ 1,046	\$ 1,046	\$ -	\$ 1,046
Debt service:				
Principal retirement	8,594	9,200	9,948	(748)
Interest and fiscal charges	<u>1,495</u>	<u>1,900</u>	<u>1,822</u>	<u>78</u>
Total expenditures	<u>3,149,512</u>	<u>3,281,374</u>	<u>3,101,104</u>	<u>180,270</u>
EXCESS OF REVENUES OVER EXPENDITURES	200,925	295,004	452,032	157,028
OTHER FINANCING USES:				
Operating transfers out	<u>(345,500)</u>	<u>(405,703)</u>	<u>(404,696)</u>	<u>1,007</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (144,575)</u></u>	<u><u>\$ (110,699)</u></u>	47,336	<u><u>\$ 158,035</u></u>
FUND BALANCE:				
Beginning of year			<u>613,024</u>	
End of year			<u><u>\$ 660,360</u></u>	

ADDITIONAL INFORMATION

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2008**

	Food service fund	Athletics fund	Total nonmajor governmental funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
ASSETS:			
Due from other funds	\$ 15,412	\$ -	\$ 15,412
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Deferred Revenue	\$ 15,412	\$ -	\$ 15,412
	<u> </u>	<u> </u>	<u> </u>

**WEST MICHIGAN ACADEMY OF ENVIRONMENTAL SCIENCE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2008**

	Food service fund	Athletics fund	Total nonmajor governmental funds
REVENUES:			
Sale of lunches and milk	\$ 9,783	\$ -	\$ 9,783
Private sources	134	1,690	1,824
Athletic events	-	638	638
State sources	8,225	-	8,225
Federal aid	81,091	-	81,091
Investment income	46	-	46
	<hr/>	<hr/>	<hr/>
			-
Total revenues	<hr/> 99,279	<hr/> 2,328	<hr/> 101,607
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Salaries	44,469	7,450	51,919
Benefits	19,497	459	19,956
Food, supplies and other expenses	133,607	1,071	134,678
	<hr/>	<hr/>	<hr/>
			-
Total expenditures	<hr/> 197,573	<hr/> 8,980	<hr/> 206,553
	<hr/>	<hr/>	<hr/>
			-
DEFICIENCY OF REVENUES OVER EXPENDITURES	<hr/> (98,294)	<hr/> (6,652)	<hr/> (104,946)
	<hr/>	<hr/>	<hr/>
			-
OTHER FINANCING SOURCES:			
Operating transfer in	98,294	6,652	104,946
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	<hr/> -	<hr/> -	<hr/> -
	<hr/>	<hr/>	<hr/>
			-
FUND BALANCES, beginning of year	<hr/> -	<hr/> -	<hr/> -
	<hr/>	<hr/>	<hr/>
			-
FUND BALANCES, end of year	<hr/> \$ -	<hr/> \$ -	<hr/> \$ -
	<hr/>	<hr/>	<hr/>



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis
James A. McNeeley

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
West Michigan Academy of Environmental Science

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Michigan Academy of Environmental Science as of and for the year ended June 30, 2008, which collectively comprise West Michigan Academy of Environmental Science's basic financial statements and have issued our report thereon dated September 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Michigan Academy of Environmental Science's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Michigan Academy of Environmental Science's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, U.S. Department of Education and the Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Maner, Costerisan + Ellis, P.C.

September 29, 2008



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

September 29, 2008

To the Board of Directors
West Michigan Academy of Environmental Science

We have audited the financial statements of West Michigan Academy of Environmental Science for the year ended June 30, 2008, and have issued our report thereon dated September 29, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of West Michigan Academy of Environmental Science. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of West Michigan Academy of Environmental Science's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to the Board Treasurer in our discussion about planning matters on July 7, 2008.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We did not identify any sensitive estimates.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The fair value of the interest rate swap agreement is based on the market price at year end as quoted by the financial institution from which it was purchased.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 29, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the West Michigan Academy of Environmental Science's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the West Michigan Academy of Environmental Science's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of West Michigan Academy of Environmental Science and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maner, Costerisan + Ellis, P.C.

September 29, 2008